

Internal Revenue Service

Department of the Treasury

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Date 5-26-94

Surname [REDACTED]

Person to Contact. [REDACTED]

Telephone Number. [REDACTED]

Refer Reply to: [REDACTED]

Date:

APR 7 1994

Employer Identification Number: [REDACTED]

Key District: [REDACTED]

Dear Applicant:

We have considered your application for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

The information submitted indicates that you were incorporated on [REDACTED]. Your purposes as stated in your articles of incorporation are to teach and promote applied spirituality to the general public.

In your application for exemption, you state that your purpose is to teach and promote applied spirituality, putting into practical use the perennial teachings from many sources and religions, with special emphasis on the Christian teaching of [REDACTED]. This will be accomplished through the following activities: (A) Ritual, (B) Instruction, (C) Pilgrimages and Tours of Sacred Sites, (D) Various Healing Modalities.

You state that you actively demonstrate and instruct the principles of applied spirituality in all aspects of its life. In addition, rituals and celebrations are being established to celebrate marriages, funerals, births and other life passages. The purpose of the rituals is to enhance the recognition and application of spiritual values in all aspects of life. These rituals activities are conducted at weekly services which are held in the private home of two of your directors. You offer spiritual instruction in several formats, including study groups, lectures, and seminars open to the public.

You state that you are a church and/or a religious organization. In this connection, you state that your code or doctrine consists of [REDACTED] which is comprised of three books. Your form of worship consists of a Friday evening service which is referred to as a study group. You do not have members and everyone is welcome to your services. Your worship services are currently conducted at the home of [REDACTED] and [REDACTED], husband and wife.

██████████

Fees for your various educational events are determined by the presenter, the facility, and the promotion. Evening events are typically \$██████, day-long events \$██████. Books and tapes are sold at normal retail prices. Pilgrimage tours, for 14 days to Europe, all expenses paid, range from \$██████████. Groups are usually eight people, and priced to cover expenses plus a profit of \$████ per person per day.

You state that you were formerly a proprietorship of ██████████. The activities of the proprietorship were that of a church, teaching applied spirituality. You were reorganized as a nonprofit organization to reflect an expansion in scope, but very little in outlook.

Your directors are ██████████, ██████████, and ██████████. ██████████ and ██████████ are also your ministers and officers and receive compensation for services in those capacities.

Your anticipated financial support will come from these sources: 1. Donations made during instructional events. 2. Profits from pilgrimages and tours. 3. Profits from the sale of materials, book, and tapes. 4. Donations and offerings.

Your proposed budgets indicate that you anticipate receiving most of your income from study groups, seminars, books and tapes, and pilgrimages.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for educational and religious purposes if no part of the net earnings inures to the benefit of any private shareholder or individual.

Section 1.501(a)-1(c) of the Income Tax Regulations provides that the words "private shareholder or individual" in section 501 refer to persons having a personal and private interest in the activities of the organization.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not organized or operated exclusively for one or more of the purposes specified in section 501(c)(3) unless it serves a public rather than a private interest. Thus, to meet the requirements of this subdivision, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Section 1.501(c)(3)-1(e)(1) of the regulations provides that an organization may meet the requirements of section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purpose of carrying on an unrelated trade or business as defined in section 513. In determining the existence or nonexistence of such primary purpose, all the circumstances must be considered, including the size and extent of the trade or business and the size and extent of the activities which are in furtherance of one or more exempt purposes.

Rev. Rul. 69-266, 1969-1 C.B. 151, involved an organization formed and controlled by a physician engaged in the practice of medicine who transferred assets including his medical practice to the organization. The physician was then "hired" to conduct "research programs" that consisted of the examination and treatment of patients. The organization charged the patients the prevailing fees for services rendered. In return for his services, the doctor received a salary and other benefits. The revenue ruling concluded that the organization was operated by the doctor to reduce his Federal income tax liability rather than to achieve any exempt purpose specified in section 501(c)(3). The revenue ruling further concluded that the organization's primary function was to serve the private interest of its creator rather than a public interest, and therefore, it was not entitled to exemption under section 501(c)(3) of the Code.

The information you have submitted indicates that you are a successor to a sole proprietorship and are carrying on essentially the same activities as that organization. You have no members and your management, finances, and other affairs are controlled by your three directors. Your directors determine the compensation that will be paid to [REDACTED] and [REDACTED] in their capacities as ministers and officers. Since your worship services are conducted in the home of [REDACTED] and [REDACTED], funds used by you for the upkeep and maintenance of the facility will benefit these individuals in their personal capacity. Although some of your activities are religious and educational, it appears that you are operated, in part, for the private benefit of your directors. In addition, since many of your activities are conducted for the purposes of deriving a profit, you are operating in a manner similar to organizations operated for profit. Under the circumstances indicated above, you do not appear to be operated "exclusively" for exempt purposes within the meaning of section 1.501(c)(3)-1(d)(1)(ii) of the regulations. Accordingly, we have concluded that you do not qualify for exemption from Federal income tax under section 501(c)(3) of the Code and you are required to file Federal income

[REDACTED]

tax returns. Contributions to you are not deductible under section 170 of the Code.

You have the right to protest this ruling if you believe that it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement must be submitted within 30 days of the date of this letter and must be signed by one of your officers. You also have a right to a conference in this office after your statement is submitted. If you want a conference, you must request it when you file your protest statement. If you are to be represented by someone who is not one of your officers, he/she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements.

If you do not protest this proposed ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that a declaratory judgment or decree under this section shall not be issued in any proceeding unless the United States Tax Court, the United States Court of Federal Claims or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, if you have any questions about your federal income tax status, including questions concerning reporting requirements, please contact your key District Director.

Sincerely,

[REDACTED]
[REDACTED]
Chief, Exempt Organizations
Rulings Branch 1

cc: [REDACTED]

cc: [REDACTED]